

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6803

BILL NUMBER: HB 1195

NOTE PREPARED: Feb 24, 2012

BILL AMENDED: Feb 23, 2012

SUBJECT: Property tax appeals.

FIRST AUTHOR: Rep. Smith M

FIRST SPONSOR: Sen. Walker

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Income Capitalization*: This bill provides that if a taxpayer wishes to have the income capitalization method or the gross rent multiplier method used in the initial assessment of the taxpayer's property, the taxpayer must submit the necessary information to the assessor not later than the March 1 assessment date. It specifies that the taxpayer is not prejudiced or restricted in filing an appeal, if the data is not submitted by March 1.

Appeals Procedures: The bill changes from 10 to 30 days after the informal preliminary meeting for the assessing official to forward to the county auditor and the county property tax assessment board of appeals (PTABOA) the results of the conference.

This bill provides a taxpayer the right to a continuance of a PTABOA hearing for just cause. It permits a taxpayer to request that the PTABOA make a decision based upon submitted evidence without the presence of the taxpayer. The bill sets a deadline for filing a notice of withdrawal of a petition.

The bill provides that an appraisal may not be required by the PTABOA or the assessor in a proceeding before the PTABOA or in the preliminary informal conference.

Uniformity Appeals: This bill specifies that a taxpayer and an assessing official may introduce evidence of the assessment of comparable properties in the same taxing district.

Penalty: The bill imposes a \$50 penalty if a request for continuance, a request for the PTABOA to take action without the taxpayer being present, or a withdrawal is not timely filed and the taxpayer or representative fails

to appear at the hearing.

Interest on Refunds: The bill provides that in the case of an assessment that is decreased by the Indiana Board of Tax Review (IBTR) or the Indiana Tax Court, the taxpayer is not entitled to interest on the excess taxes unless substantive evidence supporting the taxpayer's position had been presented by the taxpayer to the assessor before or at the hearing of the PTABOA.

Property Tax Exemptions: The bill also permits various entities to file a late property tax exemption application for previous assessment years and provides for refunds regarding these exempt properties.

Effective Date: (Amended); Upon passage; July 1, 2012.

Explanation of State Expenditures: *Uniformity Appeals:* The Indiana Board of Tax Review and the Indiana Tax Court could have increased caseloads if this provision encourages more property assessment appeals.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Penalty:* Under current law, property taxpayers obtain a PTABOA review of a local assessor's action regarding real or personal property assessments and certain property tax deductions by filing a notice with the local assessor.

Beginning July 1, 2012, under this proposal, the taxpayer would be required to pay a \$50 penalty if the taxpayer or representative fails to appear at a hearing and either (1) a request for a continuance was denied or (2) a withdrawal, a request for a continuance or a request to take action without the taxpayer's presence was not timely filed.

This provision could lead to reduced expenses for assessing officials if fewer appeals are filed or if some appeals are withdrawn before the officials prepare for the hearing.

(Revised) *Interest on Refunds:* This provision could encourage the presentation of evidence at some PTABOA hearings that might affect the outcome of the hearing. Fewer appeals to the IBTR could result. In addition, local interest expenses could be reduced in some appeals where refunds are due.

The bill provides that in the case of an assessment that is decreased by the Indiana Board of Tax Review (IBTR) or the Indiana Tax Court, the taxpayer is not entitled to interest on the excess taxes unless substantive evidence supporting the taxpayer's position had been presented by the taxpayer to the assessor before or at the hearing of the PTABOA.

Explanation of Local Revenues: (Revised) *Uniformity Appeals:* Beginning with appeals that are pending or commenced after June 30, 2012, the bill would permit a taxpayer or assessing official to present evidence of comparable assessments in the same taxing district to determine uniformity in a property assessment appeal.

This provision could result in the filing of additional appeals. It could also affect the outcome of both pending and future appeals.

(Revised) *Penalty:* This provision could lead to a small increase in county revenue.

(Revised) *Property Tax Exemptions:* Under these provisions, several entities could file property tax exemption

applications and receive refunds for taxes paid in certain years. Property tax refunds and the cancellation of property tax bills reduce current year property tax revenue for the taxing units that provide services to the property. The provisions are as follows:

1. A nonprofit corporation may, by June 30, 2012, file for an exemption for taxes payable in 2009 and 2010 if:

The property served as a homeless shelter in 2008 and 2009;

The corporation received an exemption for taxes payable in 2008, 2011, and 2012.

The corporation failed to timely file an exemption application for taxes payable in 2009 and 2010; and

The property was otherwise eligible for an exemption for taxes payable in 2009 and 2010;

One property in Vigo County has been identified as meeting these criteria. However, additional unknown properties could also qualify. The total property tax liability for both years was \$3,096.68. Under the bill, this amount would be refunded to the nonprofit corporation. The county would be permitted to pay the refund over a two year period.

2. An Episcopal church in Ft. Wayne would be permitted to file or refile an exemption application for two real property parcels and personal property that were gifted to the church after the March 1, 2011 assessment date. The exemption for taxes payable in 2012 would be granted if the taxpayer demonstrates that they would have qualified for the exemption had they been the owner on March 1, 2011. If the exemption is granted, the church would not have to pay the taxes in 2012. If any amount of 2012 taxes has already been paid, it would be refunded. The taxes for 2012 are estimated at about \$8,000.

3. A nonprofit corporation that is a foundation supporting the preservation of and education related to the Ford automobile that first used the V-8 engine would be permitted to file an exemption application for taxes payable in 2010 if:

The corporation timely filed applications and received exemptions for taxes payable in 2011, 2012, and 2013.

The corporation failed to timely file an exemption application for taxes payable in 2010; and

The property was otherwise eligible for an exemption for taxes payable in 2010.

If the entity demonstrates that the property would have qualified for an exemption, the exemption would be granted for real and personal property. The taxes for 2010 would not have to be paid and any liens would be released. If any amount of 2010 taxes, penalties and interest has already been paid, it would be refunded. Taxes for 2010 were \$6,275.92

4. The owners of real and personal property in Marion County with certain parcel numbers or addresses would receive an exemption from property tax for taxes payable in 2009 through 2012 if:

1) The owner files or refiles an exemption application and personal property return (if appropriate) before October 1, 2012; and

2) The owner would have qualified for the exemption if it had been timely filed.

The exemptions would apply retroactively. Unpaid tax bills of \$10,623 would be canceled and \$16,190 in taxes already paid would be refunded. The total amount of taxes refunded or canceled is \$26,813. This bill would affect four different taxpayers with seven real property parcels and one personal property return. The county would be permitted to pay the refunds over a 3 year period.

5. A nonprofit entity in Marion County with a certain parcel number and address would be permitted to file or refile an exemption application on real and personal property and personal property tax returns for taxes payable in 2011 and 2012.

If the entity demonstrates that the property would have qualified for an exemption, the exemption would be granted. The taxes for 2011 and 2012 would not have to be paid and any liens would be released. If any amount of 2011 or 2012 taxes, penalties and interest has already been paid, it would be refunded.

According to the Marion County Treasurer's website, this taxpayer has an outstanding balance of \$10,170 for 2011 taxes, penalties and interest.

State Agencies Affected: Indiana Board of Tax Review; Indiana Tax Court.

Local Agencies Affected: County property tax assessment boards of appeals; Taxing units that serve the affected exempt properties.

Information Sources: Cindy Land, Marion County Treasurer's Office; Vigo County GIS Website; Local Government Database.

Fiscal Analyst: Bob Sigalow, 317-232-9859.